Audit of Timber Harvesting and Road Construction, Maintenance, and Deactivation

International Forest Products Ltd.

West Coast Division

Tree Farm Licence 54

Forest Practices Board

FPB/ARC/34

December 2000

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Report from the Board

A. Report from the Board

This is the Board's report on a compliance audit of Tree Farm Licence 54 (TFL 54) held by International Forest Products Ltd. (Interfor). The licence area is located on the west coast of Vancouver Island in 24 separate geographical blocks. Ninety-two percent of the area of TFL 54 is located in Clayoquot Sound (see attached map).

Interfor has incorporated specific operational review and forestry practices requirements for Clayoquot Sound in its forest development plan for operations within Clayoquot Sound. These are based on: the 1993 *Clayoquot Sound Land Use Decision Background Report*; the 1994 *Clayoquot Sound Interim Measures Agreement*; the 1995 recommendations of the Clayoquot Sound Scientific Panel; and the 1996 *Clayoquot Sound Interim Measures Extension Agreement*. By incorporating these requirements in the forest development plan, Interfor has set an additional level of Code obligations for its operations within Clayoquot Sound.

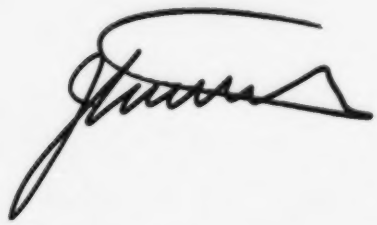
The Report from the Auditor (Part C) provides further details on the location of TFL 54, the scope of the audit, the additional requirements noted above, and the audit findings. The Report from the Auditor is based on the audit procedures described in Part B[1].

The audit examined Interfor's timber harvesting; road construction, maintenance and deactivation; and related operational plans, for the period of June 1, 1999, to June 9, 2000. The Board considered the Report from the Auditor along with supporting audit evidence and agrees with the auditor's findings and conclusions.

Conclusions

Interfor's timber harvesting and road practices complied with Code requirements in all significant respects. The auditor advised the Board that all Clayoquot Sound Scientific Panel recommendations pertaining to the activities audited were in compliance.

The identified instances of non-compliance were relatively few in number and minor in nature, and they were not considered worthy of reporting.



John Cuthbert
Acting Chair
December 15, 2000

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[1] Part B of this document provides background information on the Board's audit program and the process followed by the Board in preparing its report.

Forest Practices Board Compliance Audit Process

B. Forest Practices Board Compliance Audit Process

Background

The Forest Practices Board conducts audits of government's and agreement holder's compliance with the *Forest Practices Code of British Columbia Act* and regulations (the Code). The Board is given the authority to conduct these periodic independent audits by section 176 of the Act. Compliance audits examine forest planning and practices to determine whether or not they meet Code requirements.

The Board undertakes both "limited scope" and "full scope" compliance audits. A limited scope audit involves the examination of selected forest practices (e.g., roads, or timber harvesting, or silviculture) and the related operational planning activities. A full scope audit examines all operational planning activities and forest practices.

The Board determines how many audits it will conduct in a year, and what type of audits (limited or full scope), based on budget and other considerations. The Board audits agreement holders who have forest licences or other tenures under the *Forest Act* or the *Range Act*. The Board also audits government's Small Business Forest Enterprise Program (SBFEP) which is administered by Ministry of Forests district offices. Selection of agreement holders and district SBFEPs for audit is done randomly, using a computer program, to ensure a fair, unbiased selection of auditees.

Audit Standards

Audits by the Forest Practices Board are conducted in accordance with the auditing standards developed by the Board. These standards are consistent with generally accepted auditing standards.

The audits determine compliance with the Code based on criteria derived from the *Forest Practices Code of British Columbia Act* and its related regulations. Audit criteria are established for the evaluation or measurement of each practice required by the Code. The criteria reflect judgments about the level of performance that constitutes compliance with each requirement.

The standards and procedures for compliance audits are described in the Board's *Compliance Audit Reference Manual*.

Audit Process

Conducting the Audit

Once the Board selects an audit and decides on the scope of the audit (limited scope or full scope), the staff and resources required to conduct the audit and the period covered by the audit are determined. Board staff also meet with the party being audited to discuss the logistics of the audit before commencing the work.

All the activities carried out during the period subject to audit are identified; for example, harvesting or replanting sites and building or deactivating road sections during the audit period. The items that make up each forest activity are referred to as a "population." For example, all sites harvested form the "timber harvesting population." All road sections constructed form the "road construction population." The populations are then sub-divided based on factors such as the characteristics of the sites and the potential severity of the consequences of non-compliance on the sites.

The most efficient means of obtaining information to conclude whether there is compliance with the Code is chosen for each population. Because of limited resources, sampling is usually relied upon to obtain audit evidence, rather than inspecting all activities.

Individual sites and forest practices within each population have different characteristics, such as the type of terrain or type of yarding. Each population is divided into distinct sub-populations on the basis of common characteristics (e.g., steep ground vs. flat ground). A separate sample is selected for each population (e.g., the cutblocks selected for auditing timber harvesting). Within each population, more audit effort (i.e., more audit sampling) is allocated to the sub-population where the risk of non-compliance is greater.

Audit work in the field includes assessments from helicopters and intensive ground procedures such as the measurement of specific features like road width. The audit teams generally spend two to three weeks in the field.

Evaluating the Results

The Board recognizes that compliance with the many requirements of the Code is more a matter of degree than absolute adherence. Determining compliance requires the exercise of professional judgment within the direction provided by the Board.

Auditors collect, analyze, interpret and document information to support the audit results. The audit team, composed of professionals and technical experts, first determines whether forest practices are in compliance with Code requirements. For those practices considered to not be in compliance, the audit team then evaluates the degree to which the practices are judged not in compliance. The significance of the non-compliance is determined based on a number of criteria including the magnitude of the event, the frequency of its occurrence, and the severity of the consequences.

As part of the assessment process, auditors categorize their findings into the following levels of compliance:

Compliance – where the auditor finds that practices meet Code requirements.

Not significant non-compliance – where the auditor, upon reaching a non-compliance conclusion, determines that a non-compliance event, or the accumulation and consequences of a number of non-compliance events, is not significant and is not considered worthy of reporting.

Significant non-compliance – where the auditor determines that the event or condition, or the accumulation and consequences of a number of non-compliance events or conditions, is significant and is considered worthy of reporting.

Significant breach -- where the auditor finds that significant harm has occurred or is beginning to occur to persons or the environment as a result of the non-compliance. A significant breach can also result from the cumulative effect of a number of non-compliance events or conditions.

Identification of a possible significant breach requires the auditor to conduct tests to confirm whether or not there has been a breach. If it is determined that a significant breach has occurred, the auditor is required by the *Forest Practices Board Regulation* to immediately advise the Board, the party being audited, and the Ministers of Forests, Energy & Mines, and Environment, Lands & Parks.

Reporting

Based on the above evaluation, the auditor then prepares the "Report from the Auditor" for submission to the Board. The party being audited is given a draft of the report before it is submitted to the Board so that the party is fully aware of the findings. The party is also kept fully informed of the audit findings throughout the process, and is given opportunities to provide additional relevant information and to ensure the auditor has complete and correct information.

Once the auditor submits the report, the Board reviews it and determines whether any party or person is potentially adversely affected by the audit findings. If so, the party or person must be given an opportunity to make representations before the Board decides the matter and issues a final report to the public and government. The representations allow potentially adversely affected parties to present their views to the Board.

At the discretion of the Board, representations may be written or oral. The Board will generally offer written representations to potentially adversely affected parties, unless the circumstances strongly support the need for an oral hearing.

The Board then reviews both the report from the auditor and the representations before preparing its final report, which includes the Board's conclusions and, if appropriate, recommendations.

If the Board's conclusions or recommendations result in newly adversely affected parties or persons, additional representations would be required.

Once the representations have been completed, the report is finalized and released: first to the auditee and then to the public and government.

Report from the Auditor

C. Report from the Auditor

1.0 Introduction

As part of the Forest Practices Board's 2000 compliance audit program, Tree Farm Licence 54 (TFL 54) was selected for audit from the population of major licences within the Vancouver Forest Region. TFL 54, held by International Forest Products Ltd. (Interfor), was selected randomly and not on the basis of location or level of performance.

TFL 54 is located in the South Island Forest District and is managed by Interfor's West Coast Division. The TFL is located close to the communities of Ucluelet and Tofino and the First Nation villages of Hot Springs Cove, Ahousaht, Opitsaht, Esowista and Port Albion. The licence area, comprising 24 separate geographical blocks, extends northward along the west coast of Vancouver Island from south of Kennedy Lake to approximately five kilometres south of Nootka Sound. Ninety-two percent of TFL 54 is dispersed throughout Clayoquot Sound (see attached map).

TFL 54 has an allowable annual cut of 75,750 cubic metres, of which 8,991 cubic metres are allocated to the Ministry of Forests Small Business Forest Enterprise Program (SBFEP).

2.0 Audit Scope

The audit examined Interfor's planning and field activities related to timber harvesting; road construction, maintenance and deactivation; and associated aspects of operational planning (including forest development plans[1] and silviculture prescriptions[2]). These activities were assessed for compliance with the *Forest Practices Code of British Columbia Act* and related regulations (the Code).

The period for which activities were examined was June 1, 1999, to June 9, 2000.

In order to distinguish between differing planning requirements, Interfor has categorized its major operating areas as being either inside or outside Clayoquot Sound. The activities carried out by Interfor during the audit period, and therefore subject to audit, were:

Inside Clayoquot Sound

- harvesting of 7 cutblocks
- operational planning for 4 approved silviculture prescriptions
- planning, layout and design of 6 road sections totaling 2.2 kilometres
- maintenance and seasonal deactivation of approximately 37 kilometres of road, involving activities such as road surfacing and cleaning culverts and ditches
- maintenance of 14 bridges
- permanent deactivation of 1 road section of 330 metres

There was no road or bridge construction within the Clayoquot Sound operating area during the audit period.

Outside Clayoquot Sound

- harvesting of 9 cutblocks
- operational planning for 6 approved silviculture prescriptions
- construction of 13 road sections totaling 3.8 kilometres
- planning, layout and design of 4 road sections totaling 1 kilometre
- maintenance and seasonal deactivation of approximately 38 kilometres of road, involving activities such as road surfacing and cleaning culverts and ditches
- construction of 1 bridge and maintenance of 8 bridges
- permanent deactivation of 3 road sections totaling 500 metres

Operations in the audit period were governed by two separate 1999 to 2003 forest development plans and one major amendment:

- Forest development plan - inside Clayoquot Sound
- Forest development plan - outside Clayoquot Sound
- Forest development plan major amendment: Lostshoe planning area – outside Clayoquot Sound

In addition, a major road deactivation program, funded by Forest Renewal BC, began in 1996 and is ongoing. This program has focussed on the unstable roads within Clayoquot Sound and the Escalante River watershed north of Clayoquot Sound.

The audit did not examine SBFEP or Forest Renewal BC activities in the TFL.

Section 3.0 describes the audit of these activities, and the results. The Board's audit reference manual, *Compliance Audit Reference Manual, Version 4.1, May 2000*, sets out the standards and procedures that were used to carry out this audit.

3.0 Audit Findings

Planning and practices examined

The audit work on selected roads and cutblocks included ground-based procedures and assessments from the air using helicopters. Because of the small population sizes, we audited all or most of the items in each population. The audit examined:

Inside Clayoquot Sound

- harvesting of 7 cutblocks during the audit period and their related silviculture prescriptions
- 4 cutblocks where harvesting activity had not commenced but the related silviculture prescriptions were approved during the audit period
- planning, layout and design of 6 road sections totaling 2.2 kilometres, where construction activity had not commenced
- maintenance of approximately 37 kilometres of road
- maintenance of 11 bridges
- permanent deactivation of 1 road section of 330 metres

Outside Clayoquot Sound

- harvesting of 9 cutblocks during the audit period and their related silviculture prescriptions
- 6 cutblocks where harvesting activity had not commenced but the related silviculture prescriptions were approved during the audit period
- construction of 13 road sections totaling 3.8 kilometres
- planning, layout and design of 4 road sections totaling 1 kilometre, where construction activity had not commenced
- maintenance of approximately 38 kilometres of road
- construction of 1 bridge and maintenance of 3 bridges
- permanent deactivation of 3 road sections totaling 500 metres

Findings

The audit found that Interfor's planning and field activities were in compliance, in all significant respects, with Code requirements for timber harvesting activities and road construction, maintenance and deactivation activities. The instances of non-compliance were few in number and minor in nature.

4.0 Other Comments

Commitments to other requirements inside Clayoquot Sound

In its 1999–2003 Forest Development Plan, Interfor made commitments to documents that establish unique requirements for forest operations inside Clayoquot Sound. These documents are: the 1993 *Clayoquot Sound Land Use Decision Background Report*; the 1994 *Clayoquot Sound Interim Measures Agreement*; the 1995 recommendations of the Clayoquot Sound Scientific Panel; and the 1996 *Clayoquot Sound Interim Measures Extension Agreement*.

These commitments, some of which establish a higher level of Code requirement, required Interfor to follow an approval process and comply with standards that are unique to this area. Examples of practices that incorporated these commitments include:

- a joint management process through the Central Region Board that addresses resource management and land use planning within Clayoquot Sound, as stated in the *Clayoquot Sound Interim Measures Extension Agreement*;[iii]
- using a variable-retention silvicultural system, with a goal of maintaining ecological or ecosystem integrity, as stated in the *Scientific Panel for Sustainable Forest Practices in Clayoquot Sound*[iv] (the scientific panel recommendations);
- using helicopter or skyline harvesting systems on the majority of cutblocks to minimize soil disturbance and site degradation, as stated in the scientific panel recommendations; and
- using the hydroriparian classification system and corresponding reserve zone requirements, as stated in the scientific panel recommendations.

Interfor's planning and field activities related to timber harvesting and road construction, maintenance and deactivation during the audit period were found to be in compliance, in all significant respects, with these commitments.

5.0 Audit Opinion

In my opinion, the timber harvesting and road construction, maintenance, and deactivation activities carried out by International Forest Products Ltd. in Tree Farm Licence 54, from June 1, 1999, to June 9, 2000, were in compliance, in all significant respects, with the requirements of the Code as of June 2000.

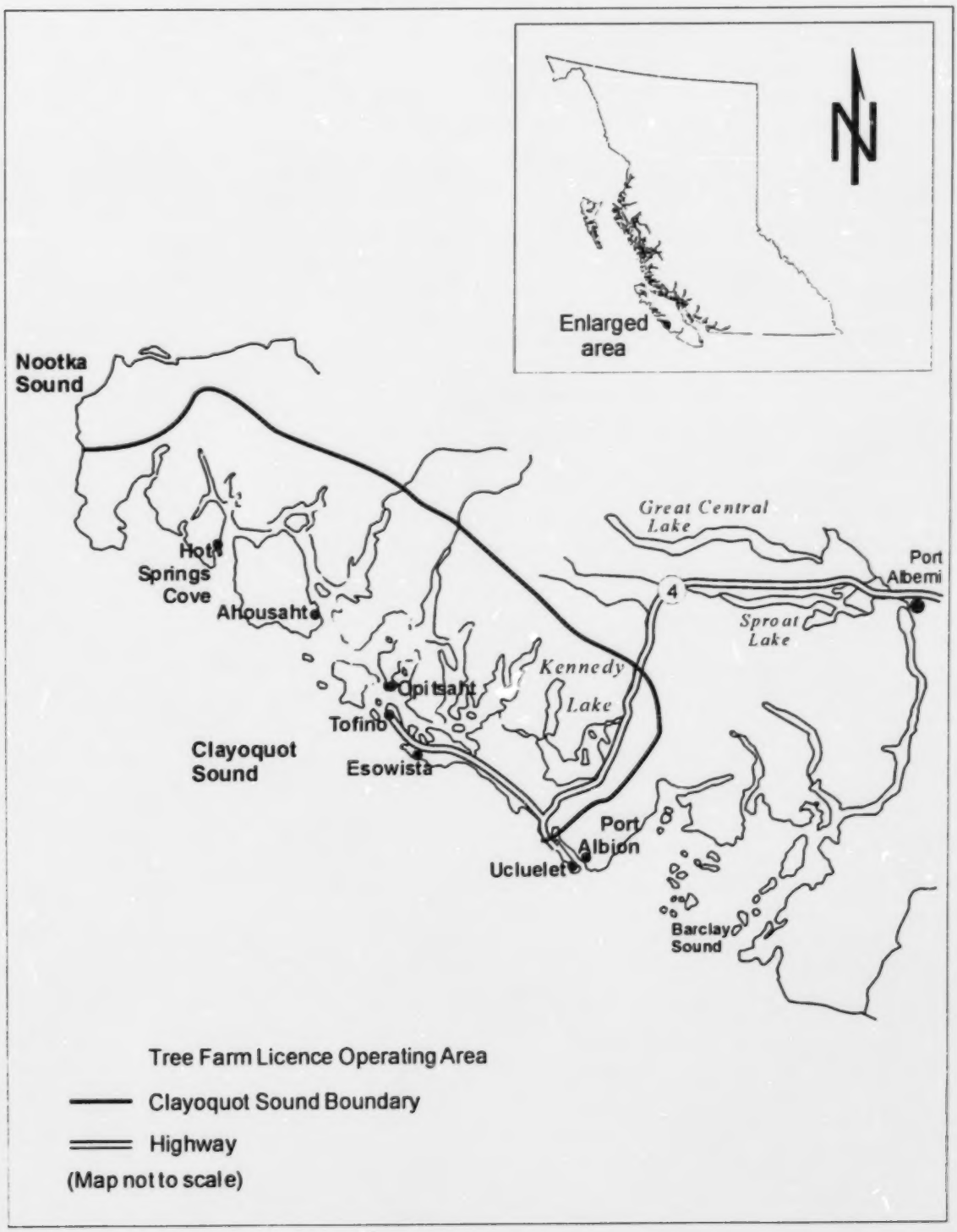
In reference to compliance, the term "in all significant respects" recognizes that there may be minor instances of non-compliance that either may not be detected by the audit, or that are detected but not considered worthy of inclusion in the audit report.

Sections 2 and 3 of this report from the auditor describe the basis of the audit work performed in reaching this opinion. The audit was conducted in accordance with the auditing standards of the Forest Practices Board. Such an audit includes examining sufficient road and timber harvesting practices to support an overall evaluation of compliance with the Code.

C R Mosher

Christopher R. Mosher, CA
Auditor of Record
Victoria, British Columbia
October 31, 2000

Audit of International Forest Products Ltd.
Tree Farm Licence 54



[i] A forest development plan is an operational plan that provides the public, and government agencies with information about the location and scheduling of proposed roads and cutblocks for harvesting timber over a period of at least five years. The plan must specify measures that will be carried out to protect forest resources (including water, fisheries, and other forest resources). It must also illustrate and describe how objectives and strategies established in higher level plans, where they have been prepared, will be carried out. Site specific plans are required to be consistent with the forest development plan.

[ii] A silviculture prescription is a site-specific operational plan that describes the forest management objectives for an area to be harvested (a cutblock). The silviculture prescriptions examined in the audit are required to describe the management activities proposed to maintain the inherent productivity of the site, accommodate all resource values, including biological diversity, and produce a free growing stand capable of meeting stated management objectives. Silviculture prescriptions must be consistent with forest development plans that encompass the area to which the prescription applies.

[iii] The *Clayoquot Sound Interim Measures Extension Agreement* is an agreement between the Province of British Columbia and the Hawiih of the Tla-o-qui-aht First Nation, the Ahousaht First Nation, the Hesquiaht First Nation, the Toquaht First Nation and the Ucluelet First Nation. This agreement is to be used to assist in the management of lands in Clayoquot Sound. The Central Region Board is a 10-member Board that is equally represented by the Province of BC and the First Nations and is intended to foster a joint management process that addresses resource management and land use planning within Clayoquot Sound. The Board reviews all Code-related strategic and operational resource management plans and may either accept, propose modifications to, or recommend rejection of the plans. This agreement is dated April 26, 1996.

[iv] The Scientific Panel for Sustainable Forest Practices in Clayoquot Sound was established in response to a recommendation from the Commission on Resources and Environment following the provincial government's April 13, 1993 decision on land use in Clayoquot Sound. The panel was charged with scientifically reviewing current forest practice standards in Clayoquot Sound and recommending changes to the existing standards to ensure these practices are sustainable. Members of the scientific panel included experts in the fields of biodiversity, ethnobotany, First Nations, fisheries, forest harvest planning, hydrology, roads and engineering, scenic resources, recreation, tourism, slope stability, soils, wildlife, and worker safety. Documentation outlining the planning and practice recommendations for "Sustainable Ecosystem Management in Clayoquot Sound" is in the *Scientific Panel's April 1995 Report #5.*